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# RESOURCE MOBILIZATION

# THE MULTI-YEAR FUNDING FRAMEWORK

## Report of the Administrator

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# I. THE CONTEXT

## A. Introduction

1. After several months of discussion during the Open-Ended, Ad Hoc Working Group on the Funding Strategy for UNDP and intensive negotiations at the third regular session 1998, the Executive Board adopted landmark decision 98/23 on the UNDP funding strategy. The decision represents a new compact between UNDP stakeholders as to how to reverse the continued decline in the UNDP core resource situation.

2. Specifically, in paragraph 10 of decision 98/23, the Board adopted an annual funding target of $1.1 billion and in paragraph 11 stressed, in this context, the urgent need to achieve annual increases in the mobilization of core resources until the target is met.

3. In paragraph 12 of decision 98/23, the Executive Board decided, in this context, that UNDP should develop a multi-year funding framework (MYFF) that integrates programme objectives, resources, budget and outcomes, with the objective of increasing core resources. The MYFF is to take into account the following principles:

(i) This framework shall maintain the order of priorities and the mandate of UNDP as determined by the Executive Board;

(ii) This framework shall not introduce any conditionality nor result in distortions of priorities or changes in the current system of resource allocation;

(iii) The allocation of additional core resources that may be mobilized by the multi-year funding framework shall be consistent with programming guidelines determined by the Executive Board; priority must be given to programmes.

4. The Administrator has rigorously applied these principles and the guidance provided by decision 98/23 in submitting the present report in accordance with paragraph 14 of the decision.

## B. The background

5. The move to a more results-oriented approach in UNDP did not originate with decision 98/23. An understanding of the adoption of a results focus by UNDP requires an assessment of the evolution that has taken place in the UNDP mandate, in the external environment and in management practices over the last decade.

6. The evolution in the UNDP mandate can be traced through Executive Board decisions 94/14, 95/23 and, most recently, decision 98/1. Together, these decisions represent a significant shift to UNDP being a more focused organization. The shift to greater focus has always been held as fully compatible with the principle that programming must be country driven and

responsive to priorities and needs as established at the country level. Together with the commitment to a focus on results has come a new approach to resource allocation. This is embodied in decision 95/23, in which the Board established the principle of building an incentive mechanism into the resource allocation system through the creation of the target for resource assignment from the core (TRAC) line 1.1.2. Neither the shift to greater focus nor the creation of the TRAC system have introduced conditionality into the UNDP programming system. However, they have inevitably led to increased emphasis on results.

7. The trends that can be observed in UNDP reflect a much broader evolution of thinking and practice in international development cooperation. For some three decades, up to the beginning of the 1990s, aid flows were largely determined by national strategic considerations. The changed global context of the 1990s has led to a significant shift in thinking about development cooperation. The international community has redirected its attention to the definition of clear development goals. To a significant extent, these goals focus on the promotion of sustainable human development. They have been elaborated on and discussed in numerous forums, in particular in the succession of global conferences held under United Nations auspices. Both multilateral and bilateral development agencies have converged to identify more specifically the development goals to which they wish to contribute. Development cooperation budgets have become explicitly linked in national debates to the achievement of results.

8. The shift to a focus on results in UNDP, as elsewhere, has also been the corollary of an evolution in thinking about management. In May 1997, the Administrator submitted a set of change management proposals to the Executive Board - referred to as UNDP 2001. The move to a results-based organization is deeply embedded in the principles of UNDP 2001. These principles encompass the need to move from a management culture of control to one that emphasizes delegated authority, from a focus on inputs to one on outputs and outcomes, from ex ante to ex post management systems, from attention to bureaucratic processes to speed, from a risk averse to an opportunity-driven culture. The underlying principles of UNDP 2001 are based on moving the organization from an entitlement-based culture to a results-based culture. The delegation of authority and a shift to ex post controls requires a new focus on results.

9. In short, UNDP 2001 was premised on the critical need to realign the Organization's management practices with the evolution that was taking place in the UNDP mandate as well as in the external environment. The shift to a focus on results is a key point of convergence in the realignment that has been taking place.

## C. Process

10. As a consequence of decision 98/23, three separate ongoing internal exercises have been integrated. In 1997, the Administrator requested the Evaluation Office, together with the Bureau for Development Policy and others, to develop a new framework for assessing and reporting on programme results. This was to build on the work already undertaken by the Evaluation Office in this field, reflected in particular in the publication of "Measuring and

Managing Results: Lessons for Development Cooperation" in collaboration with the Swedish International Development Agency (SIDA). At the same time, the Operations Support Group was working on a new framework for the implementation of the holistic oversight concept, which was an integral component of UNDP 2001. This work entailed, among other things, that reporting requirements be defined. Finally, in the context of preparations for submission to the Executive Board of reports on the successor arrangements and the 2000-2001 biennial budget, consideration was being given to the need for changes in the presentations made of the overall resource situation.

11. In the period leading up to the adoption of decision 98/23, it became evident that a coherent approach was needed within UNDP to be able to respond to the challenge being presented by the Board. Against this background, the Administrator established a task force to bring coherence to the process. This task force, which has met regularly since approval of decision 98/23, reviews all related issues.

12. Extensive consultations have been held both within UNDP and with other development partners on numerous aspects of the result-based approach, which has been tested in two workshops and ten pilots undertaken in programme countries. Resident representatives have been consulted in two different resident representative meetings and the proposals have also been reviewed by the Expanded Executive Committee, which includes 10 resident representatives. Management has been consulted on numerous occasions in the Executive Committee and in the Operations Group in particular. Most recently, the proposed approach was discussed extensively at a senior management meeting held at Mohonk, New York, and the senior management committed itself to its implementation. As requested by the Executive Board, the Administrator has consulted closely with the Board on the proposals contained in the present report. Finally, UNDP has had the opportunity to compare its proposed methodology with a large number of development aid organizations in the context of a workshop on the subject organized in conjunction with the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC).

13. In summary, UNDP is investing extensively in a highly participatory approach that incorporates insights from actual experience in programme countries. Management is very conscious that unless the proposals contained in the present report are fully owned by staff at large and become a visceral part of the organization, the focus on results will be short-lived. The process followed has been to do everything possible to ensure that assessing and reporting on results is not a minority preoccupation but a way of doing business for the organization as a whole. This means that the highest priority has to be given to simplicity and to ensuring value-added for managers. Concerns have been raised from an operational perspective that without top priority being given to this exercise, it will be difficult to manage the many competing demands being made in country offices. Nevertheless, the work undertaken has already given rise to a number of important benefits. The establishment of the working group on results has been a significant team-building exercise, one which has given increasing recognition to a more strategic approach to management. Greater awareness of developments in the external environment has been fostered. Finally, the extensive consultations held by the Executive Board have, in the perception of UNDP staff, helped to strengthen the sense of

partnership and common sense of purpose that developed through the process of the Open-Ended Working Group, culminating in the approval of decision 98/23.

14. The Administrator is committed to moving forward on a pragmatic basis. Mistakes will be made and lessons learnt. Adjustments will certainly have to be made. Over time, the Administrator is confident that the proposed framework can be improved and strengthened. The Administrator believes that the best way forward is to ensure that the process of learning takes place in full partnership with the Board.

## II. PROPOSALS

### A. The multi-year funding framework

15. It is important to distinguish between the MYFF itself and the reporting to be undertaken against the framework. The process to be put into place is made up of three distinct elements:

(a) A four-year funding framework that encompasses programme goals, subgoals, areas identified for UNDP support, expected outcomes and outputs, and a resource framework that integrates all financial allocations;

(b) A results-oriented annual report (ROAR) that provides the Board at its second regular session each year with a comprehensive assessment of the Board each April as to key results achieved and a review of the use of resources;

(c) A more in-depth assessment produced every four years of performance relating to the outcomes and outputs identified in the multi-year funding framework report (MYFFR).

16. It is important to understand the MYFF as incorporating all three aspects. The three reports will follow the same structure; they differ in that they perform different functions during the course of a four-year cycle.

MYFF

17. The MYFF consists of two basic elements: (a) a strategic results framework and (b) an integrated resource framework. Both elements will be related within the overall framework of the MYFF. The use of resources in relationship to results will be defined in the ROAR.

18. The strategic results framework provides a broad frame of reference for UNDP strategic development goals. This requires in the first place a set of practical categories that capture the full range of UNDP-supported development activities. For management purposes, UNDP activities are divided into seven categories, based on existing mandates and bearing in mind the need for categories that are compatible with information systems as currently designed. The seven categories are:

(a) The enabling environment for sustainable human development;

(b) Poverty eradication and sustainable livelihood;

(c) Environment;

(d) Gender;

(e) Special development situations;

(f) UNDP support to the United Nations;

(g) Management.

19. The UNDP support to the United Nations category refers to the specific mandate given to UNDP by the Executive Board in decision 94/14 to perform a wide range of functions for the United Nations operational system as a whole. The management category relates to functions and resource allocations that pertain to the overall management of the organization and which need to be accounted for as a separate category. Overall, these seven categories provide the elements of a strategic framework within which to assess results achieved.

20. Within each category, broad goals, subgoals and strategic areas of UNDP support will be identified. The purpose of defining the goals, subgoals and areas of support is to provide a frame of reference for operating units as they strive to define expected outcomes and outputs. The goals and support areas represent management tools to provide overall guidance to operating units. They provide the necessary framework to make it possible to aggregate and assess results on an organization-wide basis.

21. Outcomes and outputs will be identified at the operating unit level (e.g., by a country office). Each operating unit would define the expected outcomes and outputs that would enable an assessment of results achieved to be undertaken. The strategic results framework described above would provide a frame of reference for the regional bureaux, country offices, and other operating units. An iterative relationship is conceived at the heart of the interaction between goals and areas of support on the one hand and the definition of outcomes and outputs on the other. The first is defined corporately, the second is defined at the country level. There will be a constant process of adjusting the fit between the corporately defined results framework and the definition of outcomes and outputs identified at the operating unit level. This iterative relationship is captured in figure 1. The two processes, one top-down and the other bottom-up, meet at the point at which outcomes have to be matched to areas of support. This matching exercise will in all probability lead to adjustments on both sides. This provides an excellent basis for organizational learning.

22. Table 1 provides a sample of one slice of the strategic results framework. An example is taken from current work in the category of poverty eradication. The goal, subgoal and area of support have been defined corporately. The outcomes and outputs and related indicators would be filled in by the operating unit. These will be refined with experience.

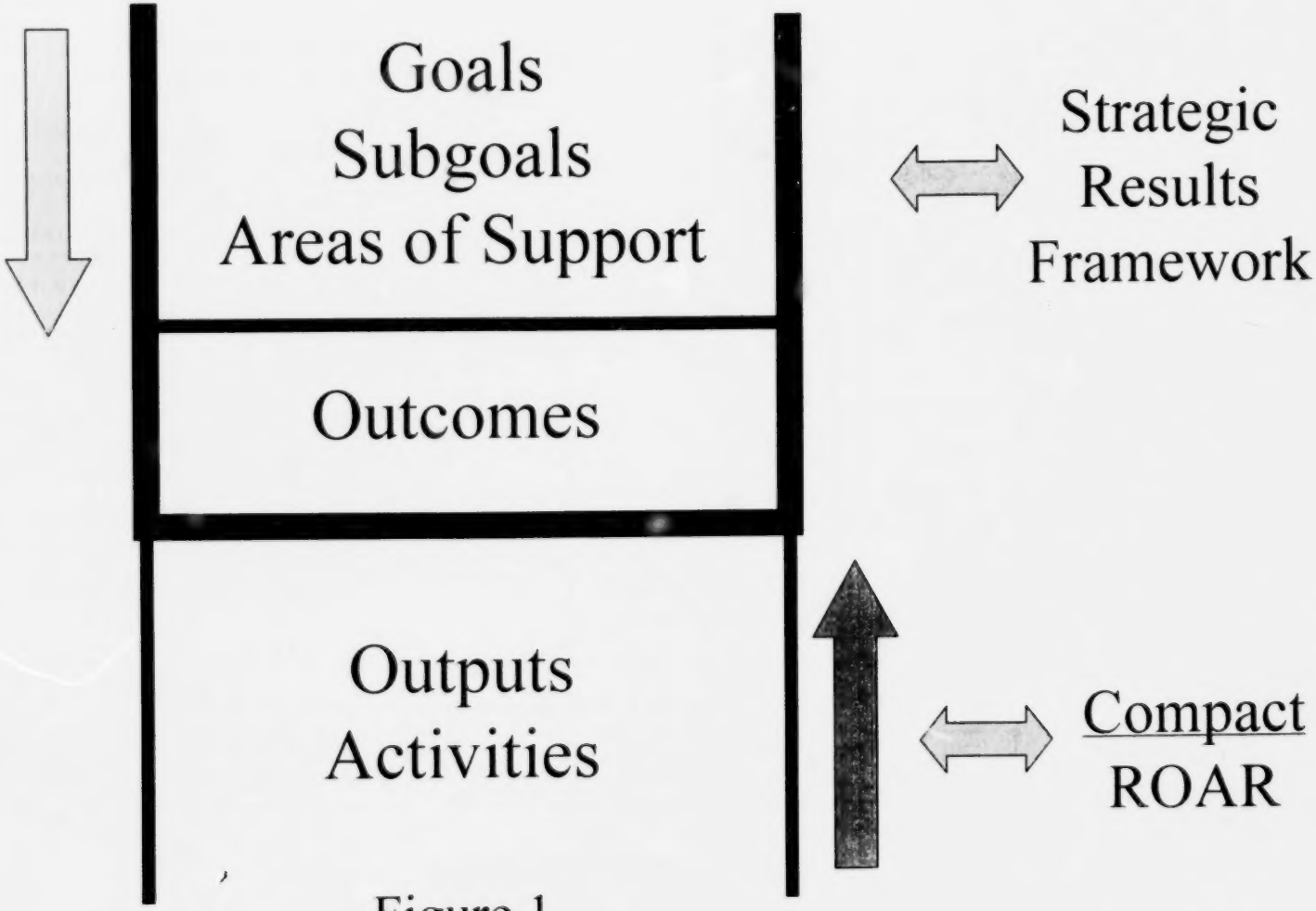
Goals
Subgoals
Areas of Support
Strategic
Results
Framework
Outcomes
Outputs
Activities
Compact
ROAR

Figure 1

Table 1

The Multi-year Funding Framework

The Strategic Results Framework

| UNDP GOAL IN POVERTY ERADICATION: To eradicate extreme poverty and reduce substantially overall poverty in programme countries {WSSD Commitment 2} | | | | | |
|---|---|---|---|---|---|
| SUBGOAL 1. To create an enabling environment for pro-poor economic growth in programme countries | | | | | |
| | OUTCOMES | | OUTPUTS | | |
| STRATEGIC AREAS OF UNDP SUPPORT | Intended | Indicator | Intended | Indicator | |
| Institutional capacity to implement anti-poverty strategies<br><br>* Development of national capacity for poverty mapping, measurement and monitoring, gender-disaggregated data collection and analysis, policy analysis and interdepartmental and state/CSO coordination;<br><br>* Development of national capacity to analyse public investment and public expenditure plans from a pro-poor perspective;<br><br>* Facilitating integration of education, health and social services into national poverty-reduction efforts. | | | | | STRATEGIC PARTNERSHIPS |

23. The identification of outcomes and outputs, where possible, would use as a basis information contained in country cooperation frameworks (CCFs) and United Nations Development Assistance Frameworks (UNDAFs). It is expected that the preparation of the MYFF and UNDAFs will be mutually reinforcing at the country level since they both represent strategic management instruments that will sharpen the respective comparative strengths of United Nations and other partners. At the same time, it must be recognized that the CCF cycle may not coincide with the MYFF cycle. It is an accepted principle that the CCF cycle should respond in the first place to host government planning cycles. In addition, UNDP is committed to a harmonized cycle within the United Nations Development Group. UNDP is therefore not in a position to adjust CCF cycles arbitrarily to align them with the requirements of the MYFF. It is proposed to manage this by accepting that the strategic results framework needs to be understood as a management framework that will be subject to continuous adjustment reflecting experience.

24. In table 1 specific provision is made for information relating to strategic partnerships. This gives recognition to the reality that it is only by working with key strategic partners at the country level that UNDP will be able to make a significant contribution in the areas in which it is working. Any real assessment of performance and results would have to take into account this dimension.

25. The final key component of the MYFF relates to the presentation of an integrated resource framework. This framework will relate the overall framework to the allocation of programme, programme support, support to the United Nations and management and administrative costs. In integrating the resource framework with the strategic results framework, it is essential to differentiate the presentation to be made in the MYFF with the presentation made in the ROAR. In the MYFF, programme allocations would not be broken up by thematic categories since allocations are not made by theme. This respects the principle contained in decision 98/23 that the MYFF should not introduce changes in the current system of resource allocation. Moreover, the necessary information would simply not be available at the beginning of any specific four-year MYFF cycle to indicate resource allocations by theme. Such information would need to be aggregated from country-level data and this data will only become available after consultations with Governments and as CCFs are finalized.

26. Against this background, it is proposed that the integrated resource framework be presented as reflected in table 2, which provides a mock-up of how the integrated resource framework would have looked had it been applied to the 1996-1999 period. It is provided for illustrative purposes only.

27. Resource allocations would be provided within three broad groupings, consistent with those of the strategic-results framework: (a) the five programme thematic categories; (b) UNDP support to the United Nations; and (c) management and administration. With regard to the programme/thematic category, it is further proposed to differentiate between allocations to least developed countries, middle-income countries, net contributor countries, and other countries. This provides a new level of transparency in the presentation while respecting the existing principles that govern programme resource allocations.

**Table 2. MOCK-UP OF RESOURCES ALLOCATION FRAMEWORK (1996-1999)**
US$ MILLIONS
**(BASED ON ACTUAL AND PROJECTIONS)**

| Category | RESOURCES ALLOCATION (1996-1999) | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Programme allocation | | | | | | | Programme support Regular Resources: | | | | | | | Management and administration a/ | Support to UN operational activities b/ | Grand |
| | TRAC1+2 c/ | TRAC 1.1.3 | SPPD&STS | Subtotal | Govt. CS | Other CS&TF | Total | CO d/ | HQ e/ | GLOC & Oth inc | Total | AOS | Oth. Res. | Total | Reg Res | Reg Res | Total | % |
| **Core programme** (Poverty, enabling environment for SHD, environment, gender, and programme for special development situations) | | | | | | | | | | | | | | | | | | |
| Country offices | | | | | | | | | | | | | | | | | | |
| Least developed countries | 1,143.9 | 70.4 | 52.1 | 1,266.4 | 162.4 | 233.3 | 1,662.1 | 215.6 | 65.7 | 12.8 | 268.5 | 67.2 | 23.0 | 358.7 | | | 2,020.8 | 0.0 |
| Other countries | 762.5 | 46.9 | 34.8 | 844.2 | 2,339.1 | 804.8 | 3,988.1 | 203.9 | 43.8 | 60.3 | 187.4 | 44.8 | 97.0 | 329.2 | | | 4,317.3 | 0.0 |
| Net contributor countries | 6.7 | 0.0 | 0.4 | 7.1 | 620.8 | 82.9 | 710.8 | 28.9 | 0.4 | 27.3 | 2.0 | 0.6 | 44.4 | 47.0 | | | 757.8 | 0.0 |
| Subtotal | 1,913.1 | 117.3 | 87.3 | 2,117.7 | 3,122.3 | 1,121.0 | 6,361.0 | 448.4 | 109.8 | 100.4 | 457.8 | 112.6 | 164.4 | 734.8 | | | 7,095.8 | 85.4 |
| Other | 300.8 | 0.0 | 4.0 | 304.8 | 46.6 | 244.5 | 595.9 | 57.2 | 20.7 | 0.0 | 77.9 | 15.0 | 2.4 | 95.3 | | | 691.2 | 8.3 |
| Subtotal | 2,213.9 | 117.3 | 91.3 | 2,422.5 | 3,168.9 | 1,365.5 | 6,956.9 | 505.6 | 130.5 | 100.4 | 535.7 | 127.6 | 166.8 | 830.1 | | | 7,787.0 | 93.7 |
| Total | 2,213.9 | 117.3 | 91.3 | 2,422.5 | 3,168.9 | 1,365.5 | 6,956.9 | 505.6 | 130.5 | 100.4 | 535.7 | 127.6 | 166.8 | 830.1 | 0.0 | 0.0 | 7,787.0 | 93.7 |
| **Management and administration** | | | | | | | | | | | | | | | 227.0 | | 227.0 | 2.7 |
| **Support to United Nations** | | | | | | | | | | | | | | | | | | |
| Programme support to Resident Coordinator | | | | | | | | | | | | | | | | 28.6 | 28.6 | 0.0 |
| Country offices | | | | | | | | | | | | | | | | 186.8 | 186.8 | 0.0 |
| DGO | | | | | | | | | | | | | | | | 4.7 | 4.7 | 0.0 |
| IAPSO | | | | | | | | | | | | | | | | 8.3 | 8.3 | 0.0 |
| UNV (net) | | | | | | | | | | | | | | | | 65.4 | 65.4 | 0.0 |
| Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 293.8 | 293.8 | 3.5 |
| **Grand total** | **2,213.9** | **117.3** | **91.3** | **2,422.5** | **3,168.9** | **1,365.5** | **6,956.9** | **505.6** | **130.5** | **100.4** | **535.7** | **127.6** | **166.8** | **830.1** | **227.0** | **293.8** | **8,307.8** | 100.0 |
| Percentages | | | | | | | 83.7 | | | | | | | 10.0 | 2.7 | 3.5 | 100.0 | |

a/ Management and administration takes into account $7.9 m related to tax income for 1998–1999 under regular resources. It does not reflect $18.0 m related to other resources.
b/ Does not reflect other resource activities amounting to $11.5 m and $64.7 m for IAPSO and UNV respectively.
c/ Covers regional and global programmes and other (Evaluation, Technical Cooperation among Developing Countries, Programme of Assistance to Palestinian People, Central America, etc.)
d/ Covers under "other" country office budget managed centrally.
e/ Allocation of headquarters budget based on core programme distribution.

28. Resource allocations have been divided between programme allocations, programme support, support to the United Nations and management and administration. These categories respect the current appropriation lines approved by the Executive Board with respect to the biennial budget as well as the framework agreed to in the context of the UNDP commitment to following a harmonized budget format, as requested by the Board. Information is included with regard to non-core resource levels. Bearing in mind the overall level of extrabudgetary resources and the importance attached to these resources in decision 98/23, the Administrator believes that transparency with regard to the levels of these resources is essential. It is proposed that a more detailed breakdown of the type of extrabudgetary resources that are being projected be provided in a supplementary table.

29. It is important to note that in both the ROAR and the MYFFR, information will be provided on the use of resources by theme. This is explained in detail in the sections below relating to these two reports.

30. In summary, the Administrator is confident that UNDP can establish the MYFF. As described above, the MYFF would represent a major step forward for UNDP since it would for the first time provide a comprehensive framework for assessing results together with an integrated resource framework. As already indicated, the MYFF will cover a fixed four-year period, at the end of which the MYFFR will be produced to report on cumulative performance. In order to avoid any hiatuses of a legislative or operational nature, the succeeding four-year MYFF, inclusive of its supporting biennial budget and programme earmarkings, will need to be approved in advance of completion of the current MYFF. UNDP is addressing the manner in which this might best be effected and expects to report to the Executive Board in this regard at its second regular session 1999. The Administrator considers it essential that from the outset there is understanding that UNDP will be engaged in a learning process. There must be a willingness to manage the complexity inherent in such an undertaking in a pragmatic manner.

31. The Administrator's proposal is to replace the overall framework provided by the existing successor programming arrangements with the MYFF starting in January 2000. Under current arrangements, the allocation of resources takes place in two separate processes that use different time frames. Programme allocations are made in the context of an Executive Board decision on programming arrangements while the biennial support budget is appropriated by the Board in a separate budget decision. Programming allocations are based on a three-year cycle while the biennial budget is based on a two-year cycle.

32. The MYFF would be for a duration of four years and would provide an integrated resource framework. Within this framework, the Administrator would at the same time present his detailed proposals for the 2000-2001 biennial budget. This would enable the Executive Board to make broad resource allocation decisions within the overall framework. At the same time, it preserves the existing two-year biennial support budget decision-making process, which ensures consistency with the format of the harmonized budget and compliance with the requirements of the Advisory Committee on Administrative and Budgetary Questions. It also ensures that the Board continues to have the possibility of reviewing the biennial budget at a greater level of detail than would be possible in the MYFF.

## B. Methodological issues

33. During the informal Executive Board discussions over the final negotiations leading to decision 98/23, a number of specific methodological issues were raised. In particular, explanations were sought as to how the Administrator intended to deal with three well-known methodological challenges: the problems of distortion, attribution and aggregation.

### Distortion

34. The Administrator is especially conscious of the need to guard against the potential for distortion. The adage "you become what you measure" has particular relevance for UNDP. There are three dimensions to the potential for distortion. The first is that the role of UNDP as a trusted partner of Governments and its work in capacity-building put a premium on discretion - recognizing that the role of UNDP is to support national partners is a critical dimension of United Nations support.

35. The second is that while support in the so-called "soft" areas of capacity-building, policy advice and advocacy may well be the greatest comparative advantage of UNDP, these areas may be the most difficult against which to assess results. The experience of a number of development cooperation agencies with the shift to a results-based approach has shown that, unless guarded against, there could be a tendency for country operations to focus more explicitly on quantifiable initiatives. The World Bank's recent policy research report, Assessing Aid: What Works, What Doesn't, and Why", makes precisely the point that assistance relating to the policy environment and institutional capacities can have a far greater impact than aid to specific measurable sectors with clearly defined goals. It is therefore critical that UNDP guard against the development of any disincentives that would prevent it from focusing on capacity-building and advocacy work, both of which are labour intensive against which it is much more difficult to assess results than it is in specific sectors.

36. The third and very much related distortion to guard against is the tendency for development agencies to follow one another. The measurement of results tends to encourage across-the-board comparisons. This puts a premium on comparisons of how agencies do the same thing rather than providing insights into how agencies can play different and complementary roles. The value of United Nations support would be diminished if a new set of incentives made it more difficult for the United Nations to preserve the specific characteristics that differentiate United Nations intervention from other types of intervention.

37. The Administrator will ensure that the new framework will be sufficiently flexible and broadly based to prevent the possibility of distortions occurring at the level of the operating unit.

### Attribution

38. The iterative approach adopted provides transparency in dealing with the issue of attribution. The major challenge is one of credibility. The strategic results framework represents a management tool to provide a frame of reference

for operating units. Attribution is not possible at this level of conceptualization.

39. With regard to the outcomes and outputs that are identified by operating units, these are clearly linked to contributions that UNDP can credibly claim it is making. They have indeed been defined from the vantage point of the contribution UNDP is trying to make. By definition, they are therefore attributable in a meaningful way. This is not to deny that there may be many other factors influencing a particular outcome or output. In particular, it will be important to identify other partners engaged in a certain area. While these are appropriate issues when determining accountability for the achievement of results, they do not appear to be insurmountable obstacles in reporting on the achievement of results. The key to tackling the attribution problem is to ensure credibility.

Aggregation

40. Aggregation continues to pose a significant challenge. UNDP will not be providing information either in the MYFF or in the ROAR on a country-level basis. Assessments of results will be provided at an aggregate level. One approach could be that for each set of goals and subgoals, results would be assessed for different categories of countries. At this point, however, the Administrator is not in a position to make a determination as to the categories he will use to aggregate results. This determination will have to be based on an analysis of outcomes and outputs identified by country offices.

41. It does, however, appear evident that the aggregation of reporting on results will necessarily tend to favour reporting of a qualitative nature. This will also be necessary in order to avoid the dangers of potential distortion as described above. Nonetheless, UNDP will pursue quantitative aggregation whenever this is possible. In the initial stages, it should also be borne in mind that reporting on results will be more focused on outputs than on outcomes. Over time, a better assessment of outcomes should be possible and this should become evident in the MYFFR.

42. In any event, reporting on results will always require proper analysis and qualitative assessment. In this connection, the ROAR and the MYFFR will always need to be reviewed in conjunction with longer-term programme reviews and evaluations.

## C. The multi-year funding framework: reporting

43. As noted in paragraph 15, two reports on performance against the MYFF are proposed: the results-oriented annual report (ROAR) and the multi-year funding framework report (MYFFR).

The ROAR

44. The ROAR will provide the Executive Board each April with a comprehensive assessment of key results achieved and review of the use of resources. It will follow the same framework established in the MYFF. Table 1 will in this sense

be the foundation for the ROAR. In a number of respects, however, the ROAR will go beyond the MYFF.

45. First, the ROAR will provide for reporting for actual performance against the expected outcomes and outputs. Actual performance will be assessed in particular against the indicators provided. It is important to stress in this connection that it is the quality of the analysis that will accompany the reporting on results that will determine the value of the exercise from a developmental perspective. It is the quality of the analysis that will generate and deepen learning.

46. Second, the ROAR will provide information on the use of resources at the level of each of the seven categories used in the MYFF. Information on the use of resources will be provided for each of the five programme thematic categories as well as for support to the United Nations and management and administration. Beyond this, the Administrator is exploring further the possibility of reporting on the use of resources at the level of individual goals and subgoals. While he believes this may be possible, the practicality of this proposal cannot be determined until all goals and subgoals are defined and it is possible to review whether these can be mapped directly onto existing information data systems. The Administrator will be able to commit to providing a specific level of information only when he is certain of the full workload implications; he will accordingly revert to the Executive Board on this point as soon as they are clear.

47. Finally, the ROAR will include reference to situational indicators. These will relate to broad trends at the country level that provide a point of reference in the broadest sense for UNDP activities. These indicators will be based on existing data, including in particular that used in common country assessments. The situational indicators are not an integral part of the MYFF. Rather, they should be seen as a reference point for assessments of operating-unit performance at the country level.

The MYFFR

48. The Administrator has not at this point given careful consideration to the form which the report on the MYFF would take. It appears premature at this point to focus on this issue. It will, however, be undertaken every four years in conjunction with the approval of a new MYFF, which will constitute a more in-depth assessment of performance relating to outcomes and outputs identified in the previous MYFF. The Administrator is committed to undertaking a comprehensive MYFFR and will give this further consideration at the appropriate time. He also proposes to consult further with the Board on this issue at the appropriate time.

## D. The compact

49. In 1998, the Administrator introduced compacts as the principal vehicle for establishing two-way accountability between himself and his senior managers as well as between regional directors and resident representatives. The introduction of compacts has been an important feature of the implementation of

UNDP 2001. Against this background, it is important to clarify the relationship between the ROAR as presented in the present report and the compact as envisaged for 1999.

50. There is a clear distinction between the ROAR and the compact. The ROAR represents a reporting mechanism that will capture key programme and management goals and expected outcomes and outputs. In this regard, it will, over time, become an important tool for strategic management. However, it is not intended as a tool for implementing accountability. Such confusion would risk the severe distortion effects described above.

51. The compact will provide the tool for pursuing accountability. The new structure and format of the compact will be implemented for 1999. In principle, it will follow the same general structure as the ROAR but will be at a higher level of aggregation and selectivity. Items chosen for the compact will represent conscious decisions by the managers concerned that they wish to be held accountable for the goals and outputs indicated in the compacts.

## E. The funding system

52. At the heart of the year-long discussion on reversing the decline in core resources for United Nations operational development activities has been the urgent need to develop funding strategies for each United Nations fund and programme that will both generate the increased volume of core resources required to implement each respective mandate successfully and to facilitate greater predictability of core funding.

53. In its decision 98/23, the Executive Board decided to hold a new special funding session for the mobilization of core resources for UNDP, ideally on a multi-year basis. Specifically, in paragraph 12 (b) of the same decision, the Board designated the second regular session of the Executive Board each year (April) as the time when all member countries would announce their voluntary core contributions to UNDP as follows: (a) announce their voluntary core contributions to UNDP as follows: a firm funding commitment for the current year; for those in a position to do so, a firm contribution or indication of the contribution for the following year; and a firm or tentative contribution for the third year; (b) announce payment schedules for the current year (early payments should be encouraged); (c) Review the record of actual core contributions and government contributions to local office costs payments as well as the timing of payments made in the previous calendar year.

54. In the paragraphs that follow, the Administrator presents brief preliminary proposals for the overall timing and linkages between the funding system and the MYFF and the ROAR, the April special funding session itself, the documentation required and the decisions this funding session should facilitate.

55. The Administrator proposes that the first MYFF for the years 2000-2003 be presented to the Executive Board at its third regular session 1999. As envisioned in decision 98/23, after its approval the MYFF will in effect become the main vehicle for mobilization of core resources for UNDP; as such it will be what the Administrator and senior staff strategically discuss with the

organization's donors and stakeholders, what stakeholders discuss with each other as to the global results UNDP hopes to achieve over the four-year period and a comprehensive presentation of the resource base the organization requires to achieve such results.

56. This overall multi-year framework for resource mobilization will be complemented by the presentation of the ROAR at the annual special funding session each April. In this way, specific results will be directly linked to a more focused discussion on core resources required.

57. As highlighted by several delegations during the three informal briefing sessions held with Executive Board members during October and November 1998, the new funding system should contribute to a dynamic dialogue and facilitate action by the Executive Board to secure the financial health of the organization. Hence, in designing a new core funding system, priority must be given to facilitating an open exchange on core funding that would lead to greater predictability. The fact that the 1998 United Nations Pledging Conference yielded formal pledges of just over 5 per cent of estimated 1999 core contributions to UNDP highlights how important it is that any new system developed facilitate much greater predictability.

58. It is thus envisioned that, in line with decision 98/23, the special funding session would be open to all member countries, not only to members of the Executive Board. At each annual session on commitments to the MYFF, the Administrator will make (a) a global presentation of the main results achieved in the previous year (the ROAR) to be followed by a focused discussion by member countries on total core contributions thus publicly committed for current and future years and (b) a review of resource trends. There would then follow a strategic discussion during the session of how to meet any shortfall in resources required. A discussion of the ROAR during the special funding session would present an opportunity for member countries to review with the secretariat results achieved in specific areas and, most importantly, progress made towards reaching the agreed annual core funding target of $1.1 billion. The only modification to this will be the first special funding session held in April 1999, when there will be no ROAR presented. As envisioned in decision 98/23, the special funding session in April 1999 will be of a somewhat transitional nature.

59. That being said, it is specifically proposed that during the first special funding session in April 1999, the Secretariat would present the commitments made by member countries for the current years as well as for future years, where possible, as per decision 98/23. In this context, it is proposed that by the second week of April 1999, each member country communicate to the secretariat in writing the core contributions (and schedule of payments) it plans to make so that comprehensive tables can be prepared for all member countries outlining contributions committed.

60. In addition, some member countries may also wish to submit a formal written statement to be circulated as part of an overall compendium report to all participating member countries during the session on commitment to the MYFF. The statement should similarly be received by the second week of April, ideally as part of the same correspondence communicating the core contributions.

Circulating such information in advance will enable the limited time available during the funding session to be used for dialogue rather than for formal statements and pledges by each individual country.

61. It is anticipated that the global presentation that will then be circulated by the secretariat before the session will include, for example, the core contribution committed by each individual country for the current year, preceded by actual core contributions made in the previous two years (reflected as actual income received) and proposed contributions for the two future years (denoted as either firm or indicative). The preparation and distribution of such material in advance will facilitate a more dynamic discussion of the financial situation of UNDP while reinforcing the compact underlying decision 98/23.

62. On the basis of such written commitments, and in the spirit of partnership that underscored the Ad Hoc Open-ended Working Group, the secretariat would then prepare a presentation of commitments received, highlighting countries that have provided multi-year pledges, countries that have committed to increase core contributions, countries that intend to maintain their contributions and so forth. The intention is that this presentation should give as clear and transparent a picture as possible of the UNDP core resource situation. Based on the firm commitments made, and with linkage to the ROAR, discussion would focus on the progress made in meeting the adopted annual core funding target of $1.1 billion and the projected ability of the organization to achieve planned results in the coming year, given the total contributions to core resources.

63. Since 1999 will mark the transition to the new funding system, since multi-year pledges are not yet in place and since there are few formal pledges for core contributions for 1999, it is important that member countries communicate their 1999 core contributions as early as possible before the proposed deadline of the second week of April 1999. With the continued further reduction of liquid programmable resources, it is particularly important to have as early as possible an accurate picture of total core resources available for 1999 in order to ensure sound management and planning of programme resources.

64. Finally, a number of other issues need to be reviewed in the lead-up to the April 1999 funding session particularly the ways in which other funds and programmes are implementing their own funding strategies. Specifically, the Administrator is currently reviewing the extent to which the concerns of the Funds associated with UNDP are to be integrated into this new funding session and will submit specific proposals.

## F. Time-frame

65. The Administrator proposes the following time-frame:

First regular session 1999 - Administrator submits proposals regarding a multi-year funding framework

Second regular session 1999 - Session on commitment to Multi-year Funding Framework

| | | |
|---|---|---|
| Third regular session 1999 | - | The Multi-year Funding Framework: Biennial budget |
| Second regular session 2000 | - | The results-oriented annual report |
| | - | Session on commitment to Multi-year Funding Framework |

## G. Financial implications

66. Over time, the proposals contained in the present report will become an integral part of UNDP management practices. They will replace existing tools. They will be introduced as part of an overall effort to rationalize and simplify. They should therefore not in the long term lead to increased workload. In the short term, however, a concerted effort will be required to establish the MYFF and the related reporting requirements. In particular, they will require the following identifiable additional efforts:

(a) A major communications effort to roll out the new arrangements, in particular, to country office staff. This will include intensive briefings at every opportunity, in particular at forthcoming resident representative, cluster and other meetings. This will generate concentrated travel costs during the course of 1999;

(b) A major effort at headquarters to complete the conceptualization of the necessary reports, to prepare and distribute them and to analyse the information received. The workload is foreseen to be very heavy in 1999 and to continue through the preparation of the first ROAR in April 2000. Thereafter, it should be internalized into existing management practices;

(c) A one-time effort will be required in 1999 to assemble materials for staff that will provide appropriate training manuals and guides.

67. Bearing these elements in mind, the Administrator has formulated a transitional budget request for an 18-month period starting in 1999. The Administrator seeks extrabudgetary contributions to support the activities envisaged during that period. The proposed budget amounts to $1,050,000 and is contained in the annex to the present document.

# III. CONCLUDING REMARKS

68. Decision 98/23 provides UNDP with important new opportunities at a critical time for the organization. UNDP today faces a turning point. Decision 98/23 provides the basis for a new partnership in the Executive Board that can revitalize and strengthen the organization at the dawn of the millennium.

69. The Administrator is fully committed to the implementation of decision 98/23. For UNDP, the decision presents key opportunities.

70. It will contribute to a better definition of programme goals and in this connection strengthen the capacity for strategic management. Country office staff has already indicated a high interest in the potential of a results focus in this regard.

71. The new approach will provide a new and structured mechanism for identifying key results and thereby a basis for telling the UNDP story in a more compelling manner. It will also provide a stronger basis for the development of a learning organization, a key dimension to the vitality of any development agency in the future.

72. The MYFF will lead to a redefinition of budgetary expenditures and will provide for the first time a mechanism for capturing "soft" results. This is a critical dimension of UNDP work and the ability to capture this information is vital to telling the UNDP story. It will also provide an empirical basis for assessing the value to be attached to UNDP presence at the country level.

73. The new focus on results brings together many of the management innovations introduced under UNDP 2001 and will help to strengthen ongoing management reforms. It can be used to promote still further simplification and rationalization.

74. For all these reasons the Administrator is confident that UNDP will do its part in implementing the multi-year funding framework.

75. At the same time, it is critical that UNDP be provided with the strengthened funding base that is the very essence of decision 98/23. During the course of the 1990s, UNDP has systematically and continuously responded to a series of calls for reform. Through decision 94/14 and subsequent decisions, UNDP adopted a much more focused approach, one that has been implemented in practice. By decision 95/23, UNDP adopted a new incentive system in the allocation of resources. Since 1992, the Administrator has taken measures to cut the core budget in real terms by some $105 million. He has taken major steps to strengthen UNDP support to the United Nations. In November 1998, for the first time, candidates from throughout the system for resident representative/resident coordinator posts were examined by an independent firm to ensure that only the very best would be selected. In 1997, the Administrator launched UNDP 2001 with the support of the Executive Board - it represented a major initiative to realign management practices with the evolved mandate of UNDP and changes in the external environment. And now, most recently, the Administrator has committed UNDP in a major way to the implementation of decision 98/23.

76. Regrettably, voluntary contributions to UNDP have continued to decline. From a peak in 1992 of $1.18 billion, voluntary contributions to UNDP fell to just over $760 million in 1997-1998. In real terms, it is estimated that UNDP income from voluntary contributions fell by 43 per cent from 1990 to 1998. The Administrator believes that decision 98/23, coming on top of the many other thorough reforms that have been implemented, will indeed provide the basis for a new partnership between all contributing and participating members and will lead to a reversal of recent trends in core resource contributions, thus resulting in a truly sustainable funding base for UNDP.

Annex

ESTIMATED BUDGETARY REQUIREMENTS FOR THE INTRODUCTION OF THE MULTI-YEAR FUNDING FRAMEWORK (MYFF)

(JANUARY 1999 TO JUNE 2000)

| Description | $ |
|---|---|
| Briefings at regional/cluster and other meetings | 100 000 |
| Roll-out to country offices and workshops for country office staff | 500 000 |
| Handbooks/brochures/video guides | 50 000 |
| Advisory services | 150 000 |
| Short-term staffing and related operating costs | 250 000 |
| Total estimated requirements | 1 050 000 |

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